



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

MEMORANDUM

TO: Reporters and Editors
RE: retirement savings bill
DA: Wednesday, May 2, 2001

Today the House is expected to pass legislation to expand contribution limits for IRAs and 401(k) plans and encourage more companies to offer retirement pensions. Sen. Chuck Grassley, chairman of the Committee on Finance, and Sen. Max Baucus, lead Committee Democrat, are the sponsors of similar legislation in the Senate. The Grassley-Baucus *Retirement Security and Savings Act of 2001* (S. 742) has a few slight differences from the House bill. Key differences are:

- a special tax incentive for low- and middle-income individuals to save money for retirement (the bill creates a non-refundable income tax credit for contributions made by eligible taxpayers to a qualified retirement plan);
- tax credits for small business start-up expenses;
- tax credits for small businesses' matching contributions for their employees;
- slightly different limits in a provision to increase maximum contributions to defined contribution plans;
- somewhat different provisions for modifying the "top-heavy" rules, which place special requirements on small business retirement plans;
- and "catch-up" contributions for individuals age 50 and older that would be broadly available and not subjected to non-discrimination tests.

Grassley, a long-time sponsor of retirement savings legislation, made the following comment on the expected House action.

"The House is right to move this bill. We're not getting any younger as a nation, and we're not saving nearly enough for retirement. It's important for Congress to encourage workers to start saving now. The more appealing we make it to save for retirement, the more people will do it. It just makes common sense.

"I'm looking for the best vehicle to move this legislation in the Senate. I haven't determined whether this bill could be part of the broad tax relief package the Finance Committee is putting together right now or whether the retirement savings bill could become part of a small-business tax relief measure that we might put together later this year. On the broad tax relief package, I'm still talking with Committee members about their priorities and still waiting for the budget conference report to be finalized. When those pieces fall into place, I'll know much more about the best option for considering the retirement savings bill."

